

YOUR CO-OP

This column will carry short profiles of Victorian co-operatives.

This month Ian Symons contributes this short history of the Warrnambool Co-operative Society Ltd. which last year saw its 25th year of co-operation. The co-operative's address is 254 Timor St. Warrnambool 3280.

If you want to promote your co-operative you are invited to submit material like the following on your co-operative.

The Warrnambool Co-op began under a different name and with a different purpose to rural merchandising.

Originally known as the Allansford and District Artificial Breeders Co-operative Society Ltd and located in the township of Allansford, 12 kms east of Warrnambool, the centre of a prosperous dairying area, it appointed the present Managing Director as its sole technician in 1960.

From carrying a few items of merchandise in the boot of the car, to service clients' needs on the spot, the business has grown into a diversified rural merchandiser with assets of \$2.5 m and a yearly turnover in excess of \$7 m.

When it started out in artificial breeding the co-op had 134 farmer members all from within a 56 km radius of Allansford. Today there are 2,132 members.

Each member has the same financial standing within the co-op holding 75 \$2 shares paid up to 60 cents — \$45 per shareholder. Membership grew as did the range of merchandise until the business in 1965 shifted operations to Warrnambool and in 1978 transferred its artificial breeding service to the Western Herd Improvement Co-operative Society Ltd, which leases Warrnambool Co-op premises.

Warrnambool's city population of 22,000 plus significant tourist numbers provide urban customers to the business. Nevertheless the major trading is oriented to the district farmers by providing one stop shopping with credit facilities.

The farming custom is from the most closely settled part of Victoria's Western District. Most are from dairy farms or from grazing properties producing wool, fat lambs and beef cattle. In addition there is a rich cropping area centred around the neighbouring Kororoit district.

Reasonably reliable rainfall in the area serviced by the business means that the farmers' buying power does not fluctuate widely from year to year.

The co-op is controlled by a board of seven elected directors, including the chairman, managing director.

CO-OPERATIVE FEDERATION OF VICTORIA LTD



NEWSLETTER

GPO Box 5211AA, Melbourne, Vic 3000

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GOVERNMENT GUARANTEES

Section 219 of the co-operation Act 1981 provides for the Treasurer of Victoria to guarantee the repayment of approved loans raised by co-operative societies for a variety of purposes and under certain circumstances to guarantee the repayment of debentures issued by co-operatives.

Since the scheme's inception in June 1955 some 1822 guarantees have been issued totalling over \$40 million. In that time \$516,583 has been called by lenders against the treasurer with subsequent recovery of \$425,278 via liquidation activities resulting in a net cost to Treasurer of 0.23% — \$91,305.

At present there are 663 guarantees in operation to a total value of \$23.3 m. Guarantees are recommended for approval by the Co-operatives Societies Advisory Council who have developed a set of guidelines based on experience and precedents.

Community Advancement Societies are the predominant users of the scheme of which about half are sponsored by school councils to undertake projects ranging from the construction of community centres, gymnasiums, canteens and computer rooms to grounds development and the purchase of computer and video equipment for student education.

The remainder are sponsored by such organisations as sporting bodies and social clubs, scout and guide associations, pre-schools and kindergartens and other community bodies. A small percentage of the guarantees (8) are currently issued for projects undertaken by producer and community settlement societies.

The guarantee scheme is ideally suited to societies having no security (land, buildings etc.) to offer as lender and for projects on council, crown or Education Department land.

The scheme may however be used by any

co-operative society registered under the Act. Societies are required to first raise the loan under mortgage or other security before a Treasurer's guarantee is considered. Guarantees are issued on the condition that should the society default on the loan, the lender will first exercise his rights under any mortgage before making a demand on the Treasurer and the terms of the guarantee.

One limiting factor on the scheme is the arrangements regarding maximum interest rates that the Treasurer will accept.

Whilst rates alter weekly they are based on the term of the loan, with presently rates for periods from one to fifteen years (the maximum term for a guaranteed loan). Banks frequently set rates not in accordance with the period of the loan, but by the amount borrowed. The essence of the guarantee system is that, although the Treasurer will pay off a loan following default by a society, it is the members of that society who are ultimately underwriting the loan. Should default occur the Co-operation Act empowers the registrar to immediately issue a certificate winding up the society and to appoint a liquidator, who then has the task of obtaining the uncalled capital, realising the assets and paying out all creditors of the society. The uncalled capital of members provides the Treasurer with high security.

The scheme allows groups of persons to achieve their aims in a co-operative fashion with government funding. It enables projects to be undertaken, using private sector finance relieving the pressure on government funds.

These projects are owned, controlled and managed by independent community groups further reducing government

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EDITORIAL

PRIVATISATION

Co-operatives have largely been overlooked in the current privatisation debate. Much is said of the relative efficiencies of the private sector, the need to develop smaller government with lower taxation demands and for enterprises to be cost conscious and profit orientated. Less is said of the needs or interests of the consumer or how these could be best protected. If inherent in the privatisation debate there is a commitment to making systems sensitive to what consumers, or users of the service want rather than what bureaucrats find convenient then there is great scope for co-operatives. Public businesses could be privatised not by being sold to investors whose interest will be profit maximisation at any cost, but by transferring the ownership and control to users. For example, Marketing Boards could become organisation owned by supplier farmers. Such organisations could be run at an 'at cost' basis, returning maximum income to farmers.

Similarly services such as child care might be operated by user parents. Adoption of the co-operative form of privatisation will not be easy. The idea of self-help, and co-operative effort is more difficult to accept than either alternatives offered from the private (commercial) or public sector. Despite the significant contribution made by the co-operative sector in Victoria to the social and economic development of the state it remains largely ignored and its potential unrealised. The co-operative sector suffers from widespread ignorance and misunderstanding. Few appreciate the simplicity of the co-operative concept which essentially offers an alternative business organisational structure based on user members pooling resources to satisfy a common need to their benefit. Rather than a structure organised to return profits to non user investors.

CO-OPERATIVE FEDERATION

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GOVERNMENT GUARANTEES

dependency and expense and increasing general community involvement.

Distribution of surplus in proportion to the member's transactions and limited interest on 'capital' are two of the six basic co-operative principles confirmed by the 1966, International Co-operative Congress held in Vienna. In reality, however, they are not two independent principles, but two components of the same principle, the principle of service; service at cost, without profit.

The principle of service is not only the real principle, but it is the most basic of all co-operative principles. It is by the application of this principle that a co-

operative differs from all other forms of enterprises — public or private; individual or corporate. A co-operative comes into being to serve, and can only exist by continuing to serve.

Of course, a non-co-operative enterprise must also render service. Otherwise it cannot have success. But in this case service is not an end in itself; it is means to an end. Where there is no profit or prospect of profit, it will not give service. It is by applying the principle of service at cost that the co-operative economy is built and expanded. If this principle is abandoned, the whole co-operative structure crumbles down.

RMIT Management Development Centre

With the
School of Business Studies

presents

A Seminar of Outstanding Interest:

Co-Operatives In Industrial Society

Dr Jehuda Paz

Leading Authority on the Development of Co-Operatives

with

Mr Race Mathews Victorian Minister for Police and Emergency Services and Minister for the Arts

and

Other Leading Australian Speakers in the Field

THE PROGRAM

8.30 - 9.00 am Registration
Chairman: Mr Alan Silver,
Head,
Dept. Organisation and
Marketing Services
R.M.I.T.

9.00 - 9.15 am	Introduction to the Seminar Dr Brian Smith — Director R.M.I.T
9.15 - 10.00 am	'The Mondragon Experiment' Mr Race Mathews Victorian Minister for Police and Emergency Services and Minister for the Arts
10.00 - 10.15 am	Morning Tea
10.15 - 11.00 am	Co-operatives in an Industrial Society Dr Jehuda Paz Director of the AFRO-ASIAN Institute Israel
11.00 - 12.00 Noon	Conversion Co-Operatives in Australia Mr Uri Windt Director Worker Co-operatives Program
12.00 - 1.15 pm	Lunch
1.15 - 1.30 pm	Briefing Mr Peter Hyman Senior Lecturer in Economics R.M.I.T.
1.30 - 2.45 pm	Workshop
2.45 - 3.00 pm	Afternoon Tea
3.00 - 4.30 pm	Panel Discussion
4.30 - 5.00 pm	Summing-up and Close

WHO SHOULD ATTEND

All those concerned with economic democracy in the workplace and the development of co-operatives within the Australian Economy.

Seminar Details

Date: Friday, 14th March, 1986
Time: 9.00 am - 5.00 pm
Place: The Glasshouse Theatre,
RMIT
Swanston Street
Melbourne.

The YCW Co-operative Society is seeking applications for position of Chief Executive Officer. YCW Co-operative is a retail trading co-operative. It specialises in school clothing sales, furniture and institutional wares as well as operating a household insurance service. The successful applicant will have a knowledge of and support for co-operative ideals as well as a proven track record in administration and management.

Any interest in the position, details of previous experience, salary requirements and other relevant details should be directed to

The Chairman
YCW CO-OPERATIVE SOCIETY LTD.
G.P.O. BOX 2459V
MELBOURNE VIC.
By 15th February 1986.

IN BRIEF

Expanding operations

The Co-operative Federation of Victoria (C.F.V.) and the Victorian Credit Co-operative Association (V.C.C.A.) have agreed to conduct a research project to document the potential for credit co-operatives to provide financial services to other co-operatives.

The project which is to be completed by April 1986 will document and analyse the financial service requirements of a sample of different co-operatives and compare these requirements to the services offered by some credit co-operatives.

The outcome of this project could form the basis of a marketing plan for credit co-operatives to expand their operations.

Whilst the immediate intention is to identify mutually beneficial arrangements to individual co-operatives and credit co-operatives, a secondary intention is to establish closer relationships between credit co-operatives and the general co-operative movement. Thereby strengthening the co-operative movement as a distinct sector of the economy.

France goes unco-operative

Legislation to "modernize" the legislation governing co-operatives was given first reading in France's National Assembly. According to a report in the Paris daily, *Le Monde*, one of the amendments would permit worker co-operatives to increase members' voting powers according to their invested capital. Another would permit co-operative shares to be traded on the open market.

From Atlantic Co-operator

Up and coming seminars

The Victorian Dairy and Food Processing Industry Training Committee Ltd. will be presenting the following programmes between February and May, 1986.

INDUSTRIAL ELECTRONICS — 20th and 21st of March, 1986

POWDER MAKERS COURSE — 16th, 17th, and 18th April 1986.

MANAGEMENT OF A FOOD BUSINESS — 6th, 7th, and 8th May, 1986

FOR FURTHER INFORMATION CONTACT THE VICTORIAN DAIRY AND FOOD PROCESSING INDUSTRY TRAINING COMMITTEE LTD.
4TH FLR. 576 ST.KILDA RD.
MELBOURNE 3004

CONTINUED BACK PAGE

ODD AND NOT SO ODD JOBS...

The Surprising World of Instant Muscle

BY ROBERT BRISCOE

(The Atlantic Co-operator)

Four unemployed teenagers, desperate for work, decided to start knocking on doors to see if they could make a living from odd jobs. They discussed their idea with the father of one of the group. He helped them get organized, choose a name, print a leaflet and scrounge a little publicity. Within the first week they'd found enough odd jobs to keep themselves busy. After three weeks, they were providing part-time employment for 30 others. Within a couple of months, seven similar businesses were under way in neighbouring towns.

All this happened in the U.K., in the fall of 1981, and marked the beginning of Instant Muscle, a national network of businesses owned and controlled by young people.

The Instant Muscle formula offers a practical, tested approach to helping some of the severest casualties in this age of recession and cut-backs. It provides a sensible strategy for helping unemployed young people create jobs for themselves.

Peter Raynes, the father who helped that original group, is now full-time National Organiser of Instant Muscle. He was so taken with the success of that first young people's co-op that he devoted himself to publicizing the idea and developing back-up services for the independent business owned and controlled by young people.

Today, the back-up services include a team of seven regional organizers and a network of voluntary or part-time business people who donate their time and skills. The IM Central Office provides free group insurance, model rules for businesses wishing to incorporate as co-ops, and training and co-ordination for the local advisory teams which give direct consulting help to the individual businesses. The Central Office can also provide some financing from a launch fund made available by charitable trusts and donations from conventional firms, local authorities, etc.

BEYOND ODD JOBS

The name Instant Muscle was invented to describe an Odd Job Co-op of young people who had little to sell but muscle power and enthusiasm. But among the sixty-one IM businesses already trading or in the final stages of formation, it's getting harder and harder to find firms which only do odd jobs.

A group in Sheffield manufactures high-quality dolls houses, with styles ranging from Tudor to modern. A co-op in the Lancashire town of Wigan is converting an old mill into industrial units. Another Lancashire group acts as an agency for rock groups. In London, the Tower Hamlets IM co-op offers word processing and delivery services and is also experienced at

setting up exhibits for trade shows. In rural Wiltshire, an IM group manufactures a range of quality wooden toys, including wheelbarrows, block carts and chalk boards.

Glasgow's Five Print Co-op has won a contract to supply Scotland's seventy universities and colleges with all the printed T-shirts and posters they need for sports and varsity clubs. Another northern business is manufacturing requisites for the sport of falconry — hoods, lures, harnesses and so on. An unlikely business, but one which builds on the special skills of a youthful falconer.

Membership of the IM network leads to the sharing of ideas and provision of complementary services. An IM craft shop in Darlington acts as an outlet for a London IM firm which designs and manufactures jewellery.

Peter Raynes welcomes this trend away from odd jobs towards more specialized services and production. Though easy to set up, odd job co-ops tend to be unstable. People work in them as a last resort and will drift away as soon as something better comes along. Raynes and his colleagues are eager to see the IM firms developing into more specialized, permanent businesses which provide their members with long-term careers.

A CO-OPERATIVE EFFORT

According to Peter Raynes, the IM concept creates jobs at bargain prices. He estimates that IM's central advisory and training services cost only about 1,000 pounds (about \$2000 Australian) for every job created.

Instant Muscle represents an extraordinary co-operative effort between unemployed young people, conventional business, trade unions and local and national government. Through IM, they work together to help an age group which is perhaps the hardest hit and the most neglected in times of high unemployment.

Since its founding in 1981, the IM central office has helped develop over sixty businesses owned and controlled by young people. Peter Raynes argues that the IM central organization has evolved, largely through trial and error, a practical and inexpensive strategy for job creation which really works.

STARTING A NEW CO-OP

How does the central office set about developing new businesses? The first essential step in the process is a request for help from a local community. The request might come from the local council, a community organisation or from anxious parents. Only

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The World of Instant Muscle

rarely does it come from unemployed young people themselves. According to Peter Raynes, most young people never even consider the possibility of creating their own jobs. They tend to underestimate their own abilities and can't believe that they might have skills which anyone would want to buy.

The first step in responding to a request is to secure some tangible community support for the proposed enterprise. Essential support will include a commitment to provide premises, a phone, a vehicle, some basic tools, a little working capital and an experienced local advisor. It is only when this basic back-up has been committed that the IM organizer will try to involve a group of young people in the project, usually by working through youth organizations. Peter Raynes argues that it is decidedly unkind to raise the hopes of young people unless there is solid support from the wider community.

Having identified a potential group, the next step is to help that group draw up an inventory of skills and explore the commercial possibilities of those skills. IM organisers use brainstorming techniques to help young people identify their own skills. The most unlikely abilities might prove to have commercial possibilities. One young man was able to turn his passion for falconry into a business which manufactures the specialist equipment required by falconers.

The principle of service

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Of course, a non-co-operative enterprise must also render service. Otherwise it cannot have success. But in this case service is not an end in itself; it is means to an end. Where there is no profit or prospect of profit, it will not give service.

It is by applying the principle of service at cost that the co-operative economy is built and expanded. If this principle is abandoned, the whole co-operative structure crumbles down.

No co-operative activity can be developed by promising voluntary membership, democratic control or political and religious neutrality alone. People might appreciate these virtues very much, but they expect more from a co-operative; they expect material benefits as well.

The principle of service at cost can be applied in a variety of ways. It can be achieved simply by adding to the wholesale price a sum to cover overhead costs and provide for necessary reserves. As a rule, however, overhead costs cannot be accurately estimated in advance; so most co-operatives charge current market prices and apply the principle of service without profit by limiting the rate of interest on members in proportion to their transactions. This means that the so-called 'dividend on purchases' is not a principle but a method of assuring the application of the co-operative principle of service at cost.

The principle of service without profit remains the very foundation of the co-operative economy.

George Davidovic

George Davidovic, a leading co-operator in his native Yugoslavia before the Communist take-over emigrated to Canada in 1962 and was appointed director of research, on the Co-operative Union of Canada. In 1968 he joined the staff of Concordia University, Montreal, where he lectured on co-operatives in both French and English, till his retirement in 1978.

It is only in the rare event that a group is unable to identify specialist skills that members will opt for an odd job co-op, for which the main requirements are muscle power and enthusiasm. As soon as some feasible ideas have been identified, the group will be shown how to research the market and develop a business plan. The business plan is obviously a key step in the whole process. Not only will it help the group decide whether or not their project is viable, it will also prove invaluable for extracting more resources from the community! And the actual preparation of the plan is an excellent self-selection technique. Only enthusiastic and capable people will be determined enough to produce a fully documented, well-presented plan.

When the plan itself is complete, training in the running of the business can begin. IM's starter pack is a manual designed to demystify the whole business of management. It provides sensible guidelines for internal organisation and summarizes the key management tasks which will have to be performed if a new small business is to operate effectively.

When it comes to incorporating, new IM firms are under no obligation to become formal co-ops. The emphasis is on creating successful businesses, and members are encouraged to pick the form of organization which best suits their needs. IM Central does insist, however, that businesses under

its umbrella must be owned by the people who work in them; and Central Office provides model rules for a co-operative structure which have been adopted by about half of the IM firms.

THE IMPORTANCE OF UNIONS

When a new IM business is set up, the members are introduced to the nearest local branch of the General and Municipal Workers Union. It is then left to the co-op's members to decide if they want to join.

Peter Raynes himself has management experience in the industrial relations field and recognizes the usefulness of union membership for the owners of a workers co-op. There is a danger that inexperienced young people, in the first heady days of running their own firm, will charge too little for their services. This will have the unfortunate consequence of under-cutting those competitors who pay decent wages, as well as discouraging the co-op members themselves with poor rewards for all of their hard work.

Union membership can help protect co-op members from such self-exploitation.

Among the many services provided by IM Central are free public liability insurance, training programmes for advisors and do-it-yourself starter pack.

IN BRIEF

MACC

The workings of the Ministerial Advisory Committee on Co-operation are drawing to a conclusion. Their report is being prepared for the Minister and Cabinet.

It is expected that the report will be made available for public comment. Following this a new Co-operation Act can be expected.

Stationery

Several co-operatives have indicated a shortage of various forms required to be completed under the Co-operation Act, e.g. Shareholders Registers, Share Transfers etc.

Would any co-operative with an unwanted stock please make contact with the Federation.

